

(Reprinted from *The Atlanta Journal Constitution* of Monday, November 2, 2009)

Health Care's Achilles Heel: Our Third-Party Payment System

Well, I've certainly ruffled some feathers by saying American health care's third-party payment system suffers from Soviet-style inefficiencies. "Soviet-style," now that's cussing by American standards.

I chose the controversial reference to find common ground among Washington partisans embroiled in the health care debate. It's worked with a few representatives, just not enough. And it has also put me in a position where, as dad used to say, I've got some explaining to do. That's good. If more people understand our third-party payment system disaster, maybe we'll do something about it.

All Americans would like to improve health care access and cost without harming quality. I certainly would. I'd like to strengthen Medicare and Medicaid and increase the number of insured Americans. "Isn't bearing added cost worth it?" reform proponents ask rhetorically. "Not with my tax dollars," opponents reply, often adding "And don't make my health care costs more expensive. They're already too high."

That's the gist of the battle. Most of the debate is surreal. We largely wrangle over false choices that ignore the central, catastrophic problem with our current health care system. It is not sustainable. It not only bankrupts individuals, it is bankrupting the federal government. No credible financial expert disputes this fact. Analysts predict America will lose its AAA credit rating by 2012. Dramatically lowering federal health care costs is not just required for generational decency, it is fundamentally necessary for national security.

So the question is not whether to reform; it is how to reform. And getting the right answer requires that we understand what got us in such a fix.

Over the past 60 years, America has migrated from a relatively efficient, free-market health care payment system, one in which patients and health care providers directly managed health care costs, to an inefficient, third-party payment system run by health insurance companies, Medicare and Medicaid. Now most patients and their health care providers have only an indirect role in managing cost. This migration thankfully increased the percentage of Americans with reasonable access to health care. But as basic micro economic theory predicts, the third-party payment system path we chose to achieve this worthy goal has caused a dramatic increase in health care overhead, gross economic inefficiency, explosive cost growth and inevitable waste, fraud and abuse.

Don't just take my word for it. You can find a thorough, readable description of how our health care system wandered into such a mess by reading David Goldhill's article in *The Atlantic* entitled "How American Health Care Killed My Father." Just search online for the title.

Making the needed payment system reform is very difficult and can only be done slowly. Without some crisis, it will only be legislated as a compromise that also involves expanding access. Instead of maintaining the status quo or moving toward a single-payer health care system, we should begin a migration to a health care system with millions of single payers, one in which most patients are the payers.

Unfortunately, the present House and Senate bills miss the opportunity to begin this critical migration. That's why I oppose them. If these bills are defeated, then perhaps we can get reform that fundamentally changes the payment system, reform that can simultaneously improve access, maintain (or improve) quality and dramatically reduce costs.

Yes, you read that right. Done correctly, health care reform can actually pay for itself and provide better access and coverage by gradually eliminating the repeated and growing problems with gross waste, fraud and abuse that inevitably plague our third-party payment system. I'm afraid the current House and Senate bills only make things worse by further cementing us to this unwise payment system, adding costs and hastening federal bankruptcy.

In his thoughtful health care address to Congress, President Obama said "I am not the first president to deal with this issue, but I am determined to be the last." He might indeed be the last, but only if he insists upon reform of our third-party payment system.

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